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**STATE OF IOWA  
LEGISLATIVE FISCAL BUREAU**

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Des Moines, Iowa  
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**MEMORANDUM**



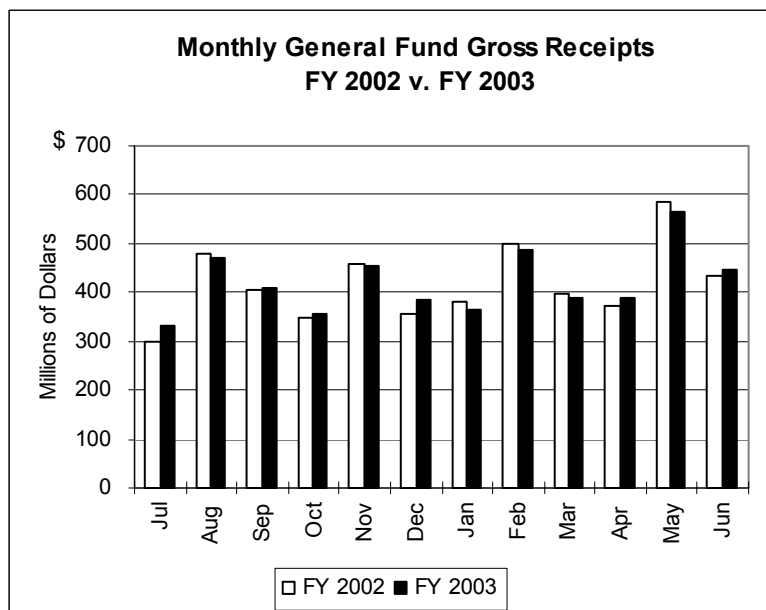
TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: July 1, 2003

**Monthly General Fund Receipts through June 30, 2003**

The attached spreadsheet presents total FY 2003 monthly General Fund receipts, with comparable figures for actual FY 2002. These figures can be compared to the FY 2003 estimate (\$5.034 billion) set by the Revenue Estimating Conference (REC) on April 9, 2003. The estimate represents an increase of \$26.6 million (0.5%) compared to actual FY 2002 gross cash receipts (excluding transfers). The date for the next REC meeting has not been set.



## FY 2003 Compared to FY 2002

**Year-to-date FY 2003 total gross revenues** (excluding transfers) increased \$39.4 million (0.8%) compared to the FY 2002. Major revenue sources contributing to the change include:

- Income withholding tax payments (positive \$77.0 million)
- Income tax estimate payments (negative \$21.8 million)
- Income tax payments with returns (negative \$9.6 million)
- Corporate tax payments (positive \$15.8 million)
- Veteran's Home net budgeting (negative \$29.9 million)
- Sales & use tax (positive \$13.0 million)

Overall, FY 2003 cash receipts were above the level projected by the REC in April by \$12.6 million, with all significant revenue sources at or near projections. Accounting activity associated with FY 2003 will not conclude for several months as accrued revenues are received and deposited and final payments from appropriations are made. Four factors remain that, along with the cash receipts discussed in this memo, will determine the final financial position for the fiscal year. Those factors include:

- Transfers
- Accrued revenues
- Tax refunds
- Appropriation reversions

As of the end of June, transfers and refunds appear at or near projections. Accrued revenues are projected by the REC to add a positive \$6.0 million to FY 2003 receipts. The REC does not project reversions, but the General Fund balance sheet assumes \$12.5 million in reversions at the conclusion of FY 2003.

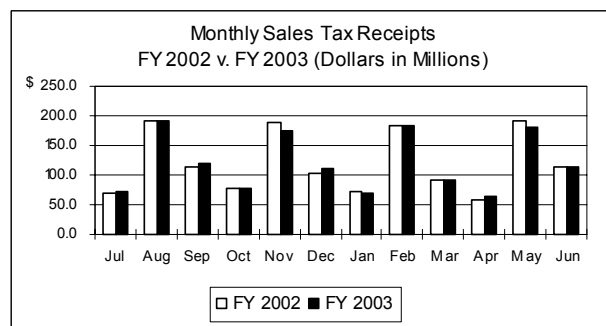
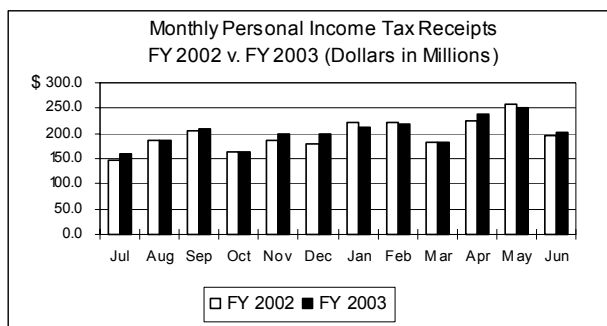
**June FY 2003 total gross revenues** (excluding transfers) increased \$13.1 million (3.0%) compared to June 2002. Personal income, use, and insurance premium tax receipts increased.

**Personal income tax** revenues received in June totaled \$202.1 million, an increase of \$5.7 million (2.9%) compared to June 2002. The State tracks personal income tax in three sub-categories.

- During the month of June, withholding tax payments increased \$1.3 million (0.8%).
- Income tax receipts from quarterly estimate payments increased \$2.3 million (6.9%).
- Income tax payments with tax returns increased \$2.1 million (117.1%).

The FY 2003 REC income tax estimate of \$2.411 billion represents a projected increase of 1.7% compared to actual FY 2002. The actual cash year 2003 personal income tax receipt increase was 1.9%.

The following Chart compares FY 2003 monthly personal income tax receipts from all three sub-categories with FY 2002.



**Sales tax** receipts received in June totaled \$113.1 million, a decrease of \$2.1 million (- 1.8%) compared to June 2002.

The REC estimate for FY 2003 sales tax receipts is \$1.457 billion, which represents an increase of 0.3% compared to actual FY 2002. Actual cash year 2003 sales tax receipts decreased 0.2%.

The preceding Chart compares FY 2003 monthly sales tax receipts with FY 2002.

**Use tax** receipts received in June totaled \$15.1 million, an increased of \$4.9 million (47.3%) compared to June 2002.

The REC estimate for FY 2003 use tax receipts is \$243.3 million, which represents an increase of 2.0% compared to actual FY 2002. The actual cash year 2003 use tax receipt increase was 6.6%.

**Corporate tax** receipts received in June totaled \$30.1 million, a \$3.4 million decrease (- 10.2%) compared to June 2003.

The REC estimate for FY 2003 corporate tax receipts is \$236.2 million, which represents an increase of 6.8% compared to actual FY 2002. The actual cash year 2003 corporate tax receipt increase was 7.1%.

**Other tax receipts** received in June totaled \$63.8 million, \$14.3 million (28.9%) above June 2002 receipts. The majority of the increase was due to timing issues associated with the June 1 prepayment of insurance premium taxes and the new June 30 insurance premium prepayment (see SF 2318 – Insurance Tax Reduction Act of 2002). Franchise tax receipts also increased in June.

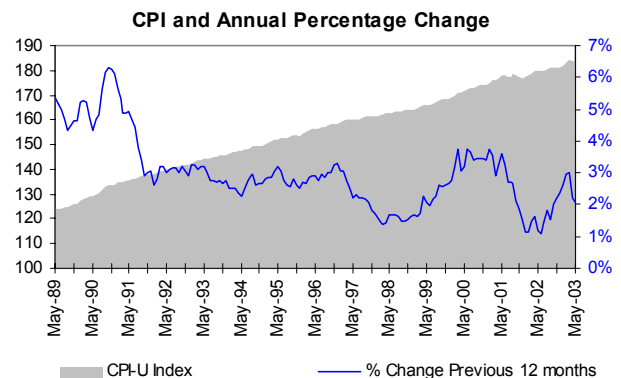
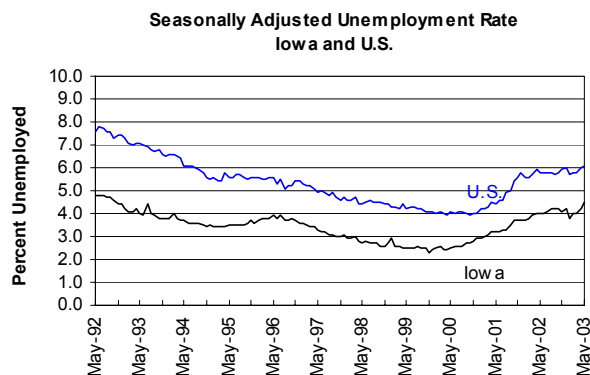
## Status of the Economy

The May seasonally adjusted Iowa civilian unemployment rate was 4.5% (highest rate since October 1992), up from the revised April rate of 4.2%. The Iowa unemployment rate for May 2002 was 4.0%. Iowa's total adjusted May employment registered at 1,560,300, a decrease of 41,900 employees from last year's level. The number of unemployed persons in Iowa was recorded at 73,200 in May, an increase of 6,000 compared to last year's level.

The U.S. unemployment rate in May was 6.1%, 1.6 percentage points above the Iowa rate. The U.S. rate one year ago was 5.8%.

Consumer prices decreased 0.16% during the month of May (not seasonally adjusted). The Consumer Price Index (CPI-U) through May 2003 was 183.5 (1983/84=100), 2.1% higher than one year ago.

The following charts illustrate Consumer Price Index and U.S./Iowa unemployment comparisons through May.



Information related to State General Fund receipts is available on the Legislative Fiscal Bureau's web site at: <http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

GENERAL FUND RECEIPTS - FY 2002 vs. FY 2003 July 1 through June 30, in millions of dollars Dollars may not add due to rounding					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 02 Actual Compared to FY 03 REC Estimate		
	FY 2002	FY 2003	Year to Date % CHANGE	June % CHANGE	Actual FY 2002	Estimate FY 2003	Projected % CHANGE
Personal Income Tax	\$ 2,372.0	\$ 2,417.6	1.9%	2.9%	\$ 2,372.1	\$ 2,411.4	1.7%
Sales Tax	1,453.0	1,450.3	-0.2%	-1.8%	1,453.0	1,457.2	0.3%
Use Tax	238.5	254.2	6.6%	47.3%	238.5	243.3	2.0%
Corporate Income Tax	221.3	237.0	7.1%	-10.2%	221.2	236.2	6.8%
Inheritance Tax	100.4	88.1	-12.3%	5.3%	100.4	90.5	-9.9%
Insurance Premium Tax	135.4	142.2	5.0%	40.4%	135.4	147.3	8.8%
Cigarette Tax	88.0	88.1	0.1%	12.6%	88.0	87.0	-1.1%
Tobacco Tax	7.1	7.4	4.2%	-1.3%	7.1	7.3	2.8%
Beer Tax	13.8	13.9	0.7%	-2.5%	13.8	14.0	1.4%
Franchise Tax	30.9	35.3	14.2%	32.1%	30.9	33.4	8.1%
Miscellaneous Tax	1.5	1.1	-26.7%	-38.3%	1.5	1.5	0.0%
Total Special Taxes	\$ 4,661.9	\$ 4,735.2	1.6%	4.8%	\$ 4,661.9	\$ 4,729.1	1.4%
Institutional Payments	48.5	16.2	-66.6%	-77.7%	48.6	16.8	-65.4%
Liquor Transfers - Profits	38.5	40.0	3.9%	16.7%	38.5	40.0	3.9%
Liquor Transfers - 7% Revenues	9.0	9.0	0.0%	0.0%	9.0	9.0	0.0%
Interest	25.3	18.1	-28.5%	-86.4%	25.3	18.0	-28.9%
Fees	70.2	72.1	2.7%	16.9%	70.2	66.6	-5.1%
Judicial Revenue	51.9	54.7	5.4%	-4.5%	51.9	56.8	9.4%
Miscellaneous Receipts	42.1	41.4	-1.7%	-14.6%	42.1	37.8	-10.2%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 5,007.4	\$ 5,046.7	0.8%	3.0%	\$ 5,007.5	\$ 5,034.1	0.5%